

**Internal Revenue Service  
P.O. Box 2508  
Cincinnati, OH 45201**

**Department of the Treasury**

**Number: 201216043  
Release Date: 4/20/2012**

**Employer Identification Number:**

**Contact Person - ID Number:**

**Date: January 25, 2012**

**Contact Telephone Number:**

UIL: 4945.04-04

**LEGEND**

B= Country

Dear :

We have considered your request for advance approval of your grant-making program under section 4945 (g)(1) of the Internal Revenue Code, dated December 28, 2010.

You are recognized as exempt from Federal income tax under section 501(c)(3) of the Code, and you are classified as a private foundation as defined in section 509(a).

You will operate a scholarship program. The purpose of the program is to award scholarships to needy students enrolled in schools in B. The awards will be used exclusively for tuition, fees, books, supplies, equipment and room and board as necessary for the individual to pursue his or her education.

Individuals will be eligible to apply for scholarships annually. The number of scholarships that will be awarded is based on the number of qualified applicants identified and the amount of funds available to be dedicated to the scholarship program. The amount of each individual scholarship will be determined according to the need of the recipient.

Scholarships are expected to be renewable. This is dependent upon information in the written report provided by a scholarship recipient's school regarding:

- The use of funds and the accomplishments of the recipient for the prior year's grant,
- Any other information provided by the recipient, the school or your representatives,
- The continued eligibility of the recipient,
- The school's ongoing compliance with reporting requirements, and
- The availability of funds in a given year.

You will provide information about the availability of scholarship grants to schools and other charitable organizations in B. Information may also be provided on your website.

The criteria for your program are objective and nondiscriminatory, and the group from which applicants are selected is broad enough to constitute a charitable class. Specifically, you will use the following criteria to select scholarship recipients:

- Financial need,
- Past academic performance, if any, and
- Recommendations from instructors or other representatives.

You will rely upon information gathered by your directors, their delegates, representatives from the schools, and other charitable organizations operating in B to identify needy individuals eligible for a scholarship. All applicants will be reviewed by your board of directors or by a committee or other individual(s) to whom your board of directors has delegated such authority. Additionally, you or your representatives may conduct an in-person interview with potential recipients.

Directors serve for a term of three (3) years and are elected by a majority of the board of directors at an annual meeting at which a quorum is present. No directors or officers shall be in a position to derive a private benefit, directly or indirectly, from the selection of potential grantees. Specifically, past or present directors, officers, and/or employees and any family members of such individuals will not be eligible to receive grants, nor shall any person who is a "disqualified person" with respect to you within the meaning of Section 4946(a).

You will award scholarships on an objective, nondiscriminatory basis consistent with Treasury Regulations Sections 53.4945-4(a)(3)(ii)(a) and 53.4945-4(b). In selecting recipients, your organization will not discriminate on the basis of race, gender, sexual orientation, ethnicity or religion.

After selection by your board of directors, the scholarship recipient must agree to use the entire amount for the specific use for which the scholarship was awarded. You will notify each scholarship recipient's school for the award and the terms and conditions of its use. Such notification may be sent in the form of a letter or by email. The notification will specify that all amounts must be used exclusively for tuition, fees, books, supplies, equipment and room and board as necessary for a designated individual to pursue his or her education. The notification will describe the reporting requirements and will specify the date by which the school must comply with the reporting requirements. You will require a representative from the school to sign and return a copy of the award letter before you disburse any funds. If you provided notification by email, the school must reply to the notification email to indicating acceptance of the scholarship and its terms. You will then distribute the award directly to the school in B.

You will supervise the scholarship program in a manner designed to satisfy the requirements of Treasury Regulation Section 53.4945-4(c)(3). Specifically, your organization will require each recipient's school to submit a written report within a reasonable period of time after the scholarship recipient completes the academic term for which scholarship funds were provided. This report must describe the use of the funds and the accomplishments of the recipient. Reports must be co-signed by both the

scholarship recipient and an official from the recipient's school. If any funds remain after payment, the residual funds will be returned to you.

You have established investigation and enforcement procedures designed to satisfy the requirements of Treasury Regulation Sections 53.4954-4(c)(4). If the report provided by the recipient's school is not submitted in a timely manner, you will initiate an investigation. Any further scholarship payments will be withheld to the extent possible until it has been determined that no part of the scholarship award has been used for improper purposes and the delinquent report has been submitted.

If it is determined that any part of the scholarship award has been used for improper purposes, you will take all reasonable and appropriate steps to recover improperly expended funds and to ensure all funds will be used exclusively for the purposes of the scholarship award.

You will not make any further payment to any school if such school has improperly diverted any grant funds. You may consider reinstating scholarship payments to the school after you have received any delinquent reports and received assurance from the school or individual recipient that future improper diversions will not occur. You will require the school to take appropriate precautions to prevent further diversions.

The following records will be kept to satisfy the requirements of Treasury Regulation Section 53.4945-4(c)(6):

- All information secured to evaluate the qualifications of potential scholarship recipients,
- The identity of each scholarship recipient,
- The name of the scholarship recipient's school and an official at such school,
- Information on relationships that would cause the recipient to be a disqualified person with respect to you in the meaning of Section 4946(a),
- The amount disbursed to each scholarship recipient's school,
- A copy of the award letter notifying the recipient and his/her school of the scholarship,
- The follow-up information obtained as part of supervision over grants and reporting, and
- Any measures taken to investigate the misuse of grant funds or to enforce grant terms.

Sections 4945(a) and (b) of the Code impose certain excise taxes on "taxable expenditures" made by a private foundation.

Section 4945(d)(3) of the Code provides that the term "taxable expenditure" means any amount paid or incurred by a private foundation as a grant to an individual for travel, study, or other similar purposes by such individual, unless such grant satisfies the requirements of subsection (g).

Section 4945(g) of the Code provides that section 4945(d)(3) shall not apply to individual grants awarded on an objective and nondiscriminatory basis pursuant to a procedure approved in advance if it is demonstrated that:

- (1) The grant constitutes a scholarship or fellowship grant which is subject to the

provisions of section 117(a) and is to be used for study at an educational organization described in section 170(b)(1)(A)(ii);

- (2) The grant constitutes a prize or award which is subject to the provisions of section 74(b), if the recipient of such prize or award is selected from the general public, or
- (3) The purpose of the grant is to achieve a specific objective, produce a report or similar product, or improve or enhance a literary, artistic, musical, scientific, teaching, or other similar capacity, skill, or talent of the grantee.

Section 53.4945-4(c)(1) of the Regulations provides that to secure approval, a private foundation must demonstrate that:

- (i) Its grant procedure includes an objective and nondiscriminatory selection process;
- (ii) Such procedure is reasonably calculated to result in performance by grantees of the activities that the grants are intended to finance; and
- (iii) The foundation plans to obtain reports to determine whether the grantees performed activities that the grants are intended to finance.

Based on the information submitted and assuming your scholarship program will be conducted as proposed with a view to provide objectivity and nondiscrimination in making the awards, we have determined that your procedures for granting the awards comply with the requirements contained in section 4945(g) of the Code and that awards granted in accordance with such procedures will not constitute "taxable expenditures" within the meaning of section 4945(d)(3).

In addition, we have determined that awards made under your procedures are excludable from the gross income of the recipients subject to the limitations provided by section 117 of the Code.

This determination is conditioned on the understanding that there will be no material change in the facts upon which it is based. It is further conditioned on the premise that no grants will be awarded to foundation managers, or members of the selection committee, or for a purpose that is inconsistent with the purpose described in section 170(c)(2)(B) of the Code.

The approval of your award program procedures herein constitutes a one-time approval of your system standards and procedures designed to result in awards which meet the requirements of section 4945(g)(1) of the Code. **This determination only covers the grant programs described above.** Thus, approval shall apply to subsequent award programs only as long as the standards and procedures under which they are conducted do not differ materially from those described in your request.

Any funds you distribute to individuals must be made on a true charitable basis in furtherance of the purposes for which you are organized. Therefore, you should maintain adequate records and case histories so that any or all award distributions can be substantiated upon request by the Internal Revenue Service.

This determination is directed only to the organization that requested it. Section 6110(k)(3) of the Code provides that it may not be used or cited as a precedent.

You must report any future changes in your grant making procedures. Please keep a copy of this letter in your permanent records.

We have sent a copy of this letter to your representatives as indicated in your power of attorney.

If you have any questions, please contact the person whose name and telephone number are shown above.

Sincerely yours,

Lois Lerner  
Director, Exempt Organizations